

Message Text

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ACTION EB-11

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E.O. 11652: N/A

TAGS: ETRD, HU

SUBJ: HUNGARIANS SEEK 49 PERCENT INTEREST IN US FIRM

1. DURING MEETING WITH AMBASSADOR FEBRUARY 11 THOMAS KISS, PRESIDENT OF CORN PRODUCTION SYSTEMS (CPS), ASKED WHAT WOULD BE OFFICIAL USG ATTITUDE TOWARD PURCHASE OF 49 PERCENT OF CPS/USA BY HUNGARY (THROUGH CPS-HUNGARY). KISS SAID THAT FOLLOWING SUCCESS OF HIS CPS SYSTEM IN HUNGARY HE PLANNING TO APPLY SYSTEM IN US AS WELL, AND THAT HUNGARIANS, SENSING PROFITABLE POSSIBILITIES, ARE MOST EAGER TO INCREASE THEIR HOLDINGS OF CPS-US FROM PRESENT 10 PERCENT TO 49 PERCENT. ACCORDING TO KISS THE PROPOSAL TO ENLARGE HUNGARIAN INTEREST IN CPS WHICH MADE BY BURGERT OF BABOLNA STATE FARM HAS BEEN ENDORSED BY AGRICULTURE MINISTER DIMENY AND NOW AWAITING APPROVAL OF DEPUTY PRIME MINISTER HUSZAR. KISS SAID THAT HE WOULD HAVE TO RESPOND TO HUNGARIAN PROPOSAL WITHIN 60 TO 90 DAYS. HE HAS ALREADY INDICATED WILLINGNESS IN PRINCIPLE TO GIVE THEM SUCH A SHARE SUBJECT TO SATISFACTORY FINANCIAL ARRANGEMENTS. KISS EXPECTS INITIAL CAPITALIZATION OF ABOUT \$8 MILLION. CPS WILL MAKE LONG TERM

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LEASES US CORN PRODUCTION LAND FOR APPLICATION OF

SYSTEM AND ALSO WILL PRODUCE SOYBEANS ON LEASED LAND
FOR HUNGARIAN CONSUMPTION.

2. AMB TOLD KISS ACQUISITION OF PARTIAL OWNERSHIP BY
HUNGARIAN CONCERN IN US MIGHT HELP IN OPENING UP US
INVESTMENT IN HUNGARY, OBJECTIVE WE WERE INTERESTED IN.
WE SAW NO REASON FROM HERE WHY HE SHOULD NOT ALLOW HUNGARIANS
TO ACQUIRE 49 PERCENT INTEREST IN CPS (US). HOWEVER WE NOT
FULLY INFORMED ON LAWS AND POLITICAL JUDGMENT AT HOME
ON INVESTMENT OF THAT LARGE A PERCENTAGE.

3. WOULD APPRECIATE RECEIVING ADVICE REGARDING OFFICIAL
USG ATTITUDE TOWARDS THIS TYPE OF INVESTMENT SO WE MAY
INFORM KISS. THIS IS FIRST TIME IN OUR MEMORY HUNGARIAN
INTERESTS HAVE SOUGHT TO ACQUIRE A SUBSTANTIAL SHARE OF
A US CORPORATION.
PEDERSEN

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